

# SENATE BILL 805

Q3, F2

6lr2804  
CF 6lr3239

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By: Senator Hettleman

Introduced and read first time: February 6, 2026

Assigned to: Budget and Taxation

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## A BILL ENTITLED

1 AN ACT concerning

### 2 **Income Tax – Student Loan Debt Relief Tax Credit – Alterations**

3 FOR the purpose of altering certain provisions of law governing the recapture of certain  
4 amounts of the credit against the State income tax for certain individuals with  
5 student loan debt to require the recapture of the unused amount of the credit rather  
6 than the total amount; authorizing the Maryland Higher Education Commission to  
7 extend the period of time that an individual who claims the credit has to prove that  
8 the individual used the credit to repay the individual's student loan debt under  
9 certain circumstances; and generally relating to the Student Loan Debt Relief Tax  
10 Credit.

11 BY repealing and reenacting, with amendments,  
12 Article – Tax – General  
13 Section 10-740  
14 Annotated Code of Maryland  
15 (2022 Replacement Volume and 2025 Supplement)

16 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,  
17 That the Laws of Maryland read as follows:

### 18 **Article – Tax – General**

19 10-740.

20 (a) (1) In this section the following words have the meanings indicated.  
21 (2) “Commission” means the Maryland Higher Education Commission.  
22 (3) “Qualified taxpayer” means an individual who has:

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (i) incurred at least \$20,000 in undergraduate or graduate student  
2 loan debt or both; and

(ii) has at least \$5,000 in outstanding undergraduate or graduate student loan debt or both when submitting an application under subsection (c) of this section.

6       (b)     Subject to the limitations of this section, a qualified taxpayer may claim a  
7 credit against the State income tax for the taxable year in which the Commission certifies  
8 a tax credit under this section.

24 (IV) THE COMMISSION MAY GRANT AN EXTENSION OF THE  
25 PERIOD WITHIN WHICH THE INDIVIDUAL IS REQUIRED TO USE THE CREDIT CLAIMED  
26 FOR THE REPAYMENT OF THE INDIVIDUAL'S UNDERGRADUATE OR GRADUATE  
27 STUDENT LOAN DEBT IF THE INDIVIDUAL WAS UNABLE TO REPAY THE STUDENT  
28 LOAN DEBT DUE TO:

29                           **1. A PERIOD OF FORBEARANCE RELATED TO LITIGATION**  
30                           **CONCERNING THE FEDERAL SAVING ON A VALUABLE EDUCATION (SAVE) STUDENT**  
31                           **LOAN REPAYMENT PLAN:**

(3) (i) For tax year 2025, the total amount of tax credits approved by the Commission under this section may not exceed \$9,000,000.

10 (ii) For any taxable year after 2025, the total amount of tax credits  
11 approved by the Commission under this section may not exceed \$18,000,000.

12 (4) (i) Except as provided in subparagraph (ii) of this paragraph, the  
13 Commission shall reserve \$9,000,000 of the tax credits authorized under paragraph (3) of  
14 this subsection for the following individuals in the following order of priority:

24 (5) To claim the tax credit allowed under this section, an individual shall  
25 attach a copy of the Commission's certification of the approved credit amount to the income  
26 tax return.

27 (d) Subject to subsection (c)(4) of this section, the Commission shall prioritize tax  
28 credit recipients and amounts based on the following criteria:

32 (2) in an order of priority determined by the Commission, whether the  
33 qualified taxpayers:

34 (i) have higher debt burden to income ratios;

1 (ii) graduated from an institution of higher education located in the  
2 State;

3 (iii) did not receive a tax credit in a prior year; or

4 (iv) were eligible for in-State tuition.

5 (e) If the tax credit allowed under this section in any taxable year exceeds the  
6 total tax otherwise payable by the qualified taxpayer for that taxable year, the qualified  
7 taxpayer may claim a refund in the amount of the excess.

10 (1) make eligible taxpayers aware of the availability of the tax credit  
11 provided under this section; and

12 (2) encourage institutions of higher education in the State to advise new  
13 graduates, particularly those with an interest in public service, of the availability of the tax  
14 credit provided under this section.

15 (g) (1) On or before January 1 each year, the Commission shall report to the  
16 Governor and, in accordance with § 2-1257 of the State Government Article, the General  
17 Assembly on:

18 (i) the number of applicants for the tax credit authorized under this  
19 section;

(ii) the number and amounts of tax credits awarded under this section to qualified taxpayers;

22 (iii) a breakdown of the age, gender, race, income, and counties of  
23 residency of qualified taxpayers who receive the credit; and

(iv) any additional information that the Commission deems relevant.

29 (h) The Commission shall adopt regulations to carry out the provisions of this  
30 section.

1        SECTION 2. AND BE IT FURTHER ENACTED, That, on or before October 1, 2026,  
2 the Maryland Higher Education Commission shall adopt procedures by which an individual  
3 may apply for the waiver described under § 10-740(c)(1)(iv) of the Tax – General Article,  
4 as enacted by Section 1 of this Act.

5        SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect July  
6 1, 2026, and shall be applicable to all taxable years beginning after December 31, 2025.